

WARRANT COMMITTEE FY07 MEETING MINUTES  
JANUARY 17, 2007  
7:30 P.M. CHENERY MIDDLE SCHOOL  
COMMUNITY ROOM

Meeting was called to order at 7:30 by Chairman Jones.

Present: Town Administrator Younger, Town Accountant Hagg, School Committee Member John Bowe (in place of School Chair Gibson)

Absent: Members Christensen and Tillotson

Chair Jones introduced the new WC Recording Secretary: Lisa Gibalerio. He also announced that as of Jan. 2007 the new Munis system has been up and running.

Police Chief Position Updated

BOS member Solomon summarized that Chris Donahue had been offered the position of police chief and that the process has been stopped due to salary negotiations.

Town Administrator Younger went on to explain: The salary range for this position is 100K - 120K depending on education level and commensurate with experience. The BOS interviewed several candidates and Chris Donahue was offered the position. The process of contract and salary negotiations began. A salary had been negotiated and Town Administrator Younger was fine tuning the contract language when he received a call from the candidate's attorney explaining that Lt. Donahue has had a change of heart on the salary and that the figure which had been accepted was now being rejected. The BOS will now look at the remaining three candidates.

BOS member Solomon stressed that the BOS has unanimous support for Town Administrator Younger. Younger went on to say that the local news has called him about this issue, so he feels the story needs to get out at this time. After a very short discussion reviewing the facts, the subject closed with Member Curtis expressing his support for Town Administrator Younger and the BOS.

Minutes Approved for 12-06-2006

Approved unanimously and with no changes.

Minutes Approved for 1-10-2007

After corrections were made, the minutes of 1-10-07 were approved unanimously.

Self Funding of Health Insurance

Member Curtis provided the summary: A lot of work has gone into researching the self funding option. It seems sensible for the Town and would be appropriate to move this along so the Town can make its decision. Town Administrator Younger has investigated the Town's prior history (i.e., in regards to the prior Health Insurance Trust) and has assessed other communities in the state who are self-insured.

Younger explained that he has met with Sue Shillue from Cook & Co. Research indicates that a small community may not want to self-insure, as a large claim could shock the system. In communities over 16,000 this can be more successful. The Town's reserves for the Self Insurance Trust Fund need to be large enough. The three major reasons for failure of the Self

Insurance Health Trust are: small reserves, no reinsurance, or cuts to the appropriation. A surplus trust would be set up and savings would be banked for a few years before making budget changes. Cook & Co. agreed with the assessments of the Health Insurance Advisory Committee in that there should be at least \$1.3M surplus per year based on the current year level of appropriation.

Member Doblin asked what the decision process would look like and on what timetable. BOS Chair Solomon replied that the BOS will decide with input from the WC. The BOS is meeting Monday evening with Cook & Co. Member Doblin asked if this was a bargainable issue? Member Curtis replied that Mr. Frazier, the School labor attorney, thought it was. It was his opinion that it involves changing the terms & conditions of employment, and informing unions what we're doing. The Town's labor attorney was of a differing opinion. There are many different bargaining units - how can any one unit claim reserves? Also, Curtis continued, Cook & Co. will report to us every month about trends, advising us on what premiums to raise, etc. Member Hofmann asked about other towns in comparison to Belmont as well as about Belmont's experience in the last 3-5 years. Younger thought it was a 50/50 split of self-insured to not self-insured, and Member Curtis said we know Belmont's experience down to the nickel. Member Hofmann expressed his opinion that self-insurance is a gamble as it puts the Town's finances at risk. Member Allison wanted to know why this is going to be cheaper, and where the difference in savings would come from. She wondered how much of the cost difference reflected additional risk, given that the Town did not have economies of scale, or more experienced management. Chair Jones replied that there is a detailed description of where savings could be found pertaining to the risk premium to be paid to insurers. Member Paolillo replied that savings will exist because Belmont will assume the risk now. Can savings exceed costs? he asked. Chair Jones explained that there are 3 areas of savings: 1) private insurance earns profit, 2) pay tax on profit, 3) can earn income on reserve fund.

From the audience, Anne Mahon, Butler PTA President and Town Meeting member, offered the following from her experience with self insurance in the private sector: A lot of money is saved because you are not paying the middle man's salaries. Executives have enormous salaries, often with bonuses. My experience is, she continued, money is saved - even with serious illnesses - because you are not paying extra people. Chair Jones agreed that he also had a good experience with his firm and that it requires sufficient reserves to cover the cost of a disaster. Member Allison pointed out that the private plans being offered as examples had very different co-payment and deductible structures, and that the Belmont plan had no private-sector counterparts. Member Brusch said she was initially opposed because of her past experiences in Belmont, but she has been persuaded. Firm guidelines need to be set for ourselves, she continued, and we need to be clear about intent and expectations regarding the building up of reserves. Member Curtis agreed that we need to be as conservative as is reasonably possible. If we have a bad year, we may not accumulate reserves for the following year. Member Callanan expressed her support and thanked Member Curtis.

Next Steps: Member Curtis said we need to get more information, and then take a vote and make a recommendation to the BOS. Chair Jones said he hopes to seek a unanimous vote once open questions are answered, perhaps at the WC meeting on February 7.

BOS Chair Solomon felt that a policy being in place to assure success would be: 1) funding for the first three years to be the same as the premium basis, 2) a committee of experts to meet & review, and 3) review on an annual basis the costs of self insurance vs. premium.

The WC is asking that the following be addressed: 5 year experience on medical expenses, input from Jeff Levin-Scherz, MD, answers about the collective bargaining aspects, and detail of where the \$1.1M to \$1.3M savings comes from.

The BOS & WC has set up a Saturday-morning schedule for meeting with Town and School Departments. The Town departments will be meeting on Saturday 2/24 and Saturday 3/3. The meeting with the School Committee will be on Saturday 3/10.

Motion to adjourn by Member Heigham at 8: 49.

Submitted by

Lisa Gibalerio  
Recording Secretary